

# OPEN MEETING ITEM



**COMMISSIONERS**  
JEFF HATCH-MILLER - Chairman  
WILLIAM A. MUNDELL  
MIKE GLEASON  
KRISTIN K. MAYES  
BARRY WONG



Executive Director

## ARIZONA CORPORATION COMMISSION

22

DATE: August 25, 2006  
DOCKET NO.: T-20428A-05-0800  
TO ALL PARTIES:

Arizona Corporation Commission

**DOCKETED**

**AUG 25 2006**

DOCKETED BY	nr
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Enclosed please find the recommendation of Administrative Law Judge Amy Bjelland. The recommendation has been filed in the form of an Order on:

GLOBAL TOUCH TELECOM, INC.

(CC&N/RESELLER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Administrative Law Judge by filing an original and thirteen (13) copies of the exceptions with the Commission's Docket Control at the address listed below by **4:00 p.m.** on or before:

SEPTEMBER 5, 2006

The enclosed is NOT an order of the Commission, but a recommendation of the Administrative Law Judge to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Open Meeting to be held on:

SEPTEMBER 19 AND 20, 2006

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250. For information about the Open Meeting, contact the Executive Director's Office at (602) 542-3931.

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AZ CORP COMMISSION  
DOCUMENT CONTROL

BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

1  
2 **BEFORE THE ARIZONA CORPORATION COMMISSION**

3 COMMISSIONERS

4 JEFF HATCH-MILLER, Chairman  
5 WILLIAM A. MUNDELL  
6 MIKE GLEASON  
7 KRISTIN K. MAYES  
8 BARRY WONG

9 IN THE MATTER OF THE APPLICATION OF  
10 GLOBAL TOUCH TELECOM, INC. FOR A  
11 CERTIFICATE OF CONVENIENCE AND  
12 NECESSITY TO PROVIDE RESOLD  
13 INTEREXCHANGE TELECOMMUNICATIONS  
14 SERVICES.

DOCKET NO. T-20428A-05-0800

DECISION NO. \_\_\_\_\_

15 ORDER

16 Open Meeting  
17 September 19 and 20, 2006  
18 Phoenix, Arizona

19 **BY THE COMMISSION:**

20 Having considered the entire record herein and being fully advised in the premises, the  
21 Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

22 FINDINGS OF FACT

23 1. On October 31, 2005, Global Touch Telecom, Inc. ("Applicant" or "Global Touch")  
24 filed with the Commission an application for a Certificate of Convenience and Necessity  
25 ("Certificate") to provide resold interexchange telecommunications services within the State of  
26 Arizona.

27 2. Applicant is a switchless reseller that purchases telecommunications services from a  
28 variety of carriers for resale to its customers.

3. In Decision No. 58926 (December 22, 1994), the Commission found that resold  
telecommunications providers ("resellers") are public service corporations subject to the jurisdiction  
of the Commission.

4. Applicant has authority to transact business in the State of Arizona.

5. On December 1, 2005, Applicant filed an Affidavit of Publication indicating

1 compliance with the Commission's notice requirements.

2       6.       On July 21, 2006, the Commission's Utilities Division Staff ("Staff") filed a Staff  
3 Report which includes Staff's fair value rate base determination in this matter and recommends  
4 approval of the application subject to certain conditions. The Staff Report addressed the overall  
5 fitness of Applicant to receive a Certificate and also addressed whether its services should be  
6 classified as competitive and whether its initial rates are just and reasonable.

7       7.       In its Staff Report, Staff stated that Applicant provided unaudited financial statements  
8 for the year ending December 31, 2005, which list assets of \$5,208,632, equity of \$2,172,053 and net  
9 loss of \$1,238,846.

10       8.       Applicant's tariff indicates that it does not require deposits from its customers for  
11 services. If at some future date, Applicant wants to collect advances, deposits and/or prepayments  
12 from its resold interexchange customers, Staff recommended that the Applicant be required to file an  
13 application with the Commission for approval. The application must reference the decision in this  
14 docket and explain the Applicant's plans for procuring a performance bond.

15       9.       In the event that the Applicant experiences financial difficulties, there will be minimal  
16 impact to its customers because end users can access other interexchange providers via dial around  
17 service or, in the longer term, the customer may desire to permanently switch to another provider.

18       10.      Staff stated that based on information obtained from the Applicant, it has determined  
19 that Applicant's fair value rate base ("FVRB") is zero and Applicant's FVRB is too small to be useful  
20 in a fair value analysis.

21       11.      Staff believes that Applicant has no market power and that the reasonableness of its  
22 rates will be evaluated in a market with numerous competitors. In light of the competitive market in  
23 which the Applicant will be providing its services, Staff believes that the rates in Applicant's  
24 proposed tariffs for its competitive services will be just and reasonable, and recommends that the  
25 Commission approve them.

26       12.      Commission rules provide pricing flexibility by allowing competitive  
27 telecommunication service companies to price their services at or below the maximum rates  
28 contained in their tariffs as long as the pricing of those services complies with A.A.C. R14-2-1109.

1 This requires the Applicant to file a tariff for each competitive service that states the maximum rate  
2 as well as the effective (actual) price that will be charged for the service. Any changes to the  
3 Applicant's effective (actual) price for a service must comply with A.A.C. R14-2-1109, which  
4 provides that the minimum rates for the applicant's competitive services must not be below the  
5 Applicant's total service long run incremental costs of providing the services. The Applicant's  
6 maximum rates should be the maximum rates proposed by the Applicant in its most recent tariffs on  
7 file with the Commission. Future changes to the maximum rates must comply with A.A.C. R14-2-  
8 1110.

9 13. Staff recommended approval of Applicant's application subject to the following:

10 (a) The Applicant should be ordered to comply with all Commission rules, orders,  
11 and other requirements relevant to the provision of intrastate telecommunications  
12 service;

13 (b) The Applicant should be ordered to maintain its accounts and records as  
14 required by the Commission;

15 (c) The Applicant should be ordered to file with the Commission all financial and  
16 other reports that the Commission may require, and in a form and at such times as the  
17 Commission may designate;

18 (d) The Applicant should be ordered to maintain on file with the Commission all  
19 current tariffs and rates, and any service standards that the Commission may require;

20 (e) The Applicant should be ordered to comply with the Commission's rules and  
21 modify its tariffs to conform to these rules if it is determined that there is a conflict  
22 between the Applicant's tariffs and the Commission's rules;

23 (f) The Applicant should be ordered to cooperate with Commission investigations  
24 including, but not limited to, customer complaints;

25 (g) The Applicant should be ordered to participate in and contribute to the Arizona  
26 Universal Service Fund, as required by the Commission;

27 (h) The Applicant should be ordered to notify the Commission immediately upon  
28 changes to the Applicant's name, address and/or telephone number;

(i) If at some future date, the Applicant wants to collect from its customers an  
advance, deposit, and/or prepayment, Staff recommends that the Applicant be required  
to file such information with the Commission for Commission approval. Such  
application must reference the Decision Number in this docket and must explain the  
Applicant's plans for procuring a performance bond;

(j) The Applicant's intrastate interexchange service offerings should be classified as competitive pursuant to A.A.C. R14-2-1108;

(k) The maximum rates for these services should be the maximum rates proposed by the Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive services should be the Applicant's total service long run incremental costs of providing those services as set forth in A.A.C. R14-2-1109;

(l) In the event that the Applicant states only one rate in its proposed tariff for a competitive service, the rate stated should be the effective (actual) price to be charged for the service as well as the service's maximum rate; and

(m) In the event the Applicant requests to discontinue and/or abandon its service area it must provide notice to both the Commission and its customers in accordance with A.A.C. R14-2-1107.

14. Staff further recommended that Applicant's Certificate should be conditioned upon the Applicant filing conforming tariffs in accordance with this Decision within 365 days from the date of an Order in this matter, or 30 days prior to providing service, whichever comes first.

15. Staff recommended that if the Applicant fails to meet the timeframes outlined in Finding of Fact No. 14, that Applicant's Certificate should become null and void after due process.

16. Applicant will not collect advances, prepayments or deposits from customers.

17. The rates proposed by this filing are for competitive services.

18. Staff's recommendations as set forth herein are reasonable.

19. Applicant's fair value rate base is zero.

#### **CONCLUSIONS OF LAW**

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was given in accordance with the law.

4. Applicant's provision of resold interexchange telecommunications services is in the public interest.

5. Applicant is a fit and proper entity to receive a Certificate as conditioned herein for

1 providing competitive resold interexchange telecommunications services in Arizona.

2 6. Staff's recommendations are reasonable and should be adopted.

3 7. Applicant's fair value rate base is not useful in determining just and reasonable rates  
4 for the competitive services it proposes to provide to Arizona customers.

5 8. Applicant's rates, as they appear in its proposed tariffs, are just and reasonable and  
6 should be approved.

7 **ORDER**

8 IT IS THEREFORE ORDERED that the application of Global Touch Telecom, Inc. for a  
9 Certificate of Convenience and Necessity for authority to provide competitive resold interexchange  
10 telecommunications services, except local exchange services shall be, and hereby is, granted,  
11 conditioned upon its compliance with the conditions recommended by Staff as set forth in Findings of  
12 Fact Nos. 13 and 14, above.

13 IT IS FURTHER ORDERED that Staff's recommendations set forth in Findings of Fact Nos.  
14 13 and 14 above are hereby adopted.

15 IT IS FURTHER ORDERED that Global Touch Telecom, Inc. shall comply with the adopted  
16 Staff recommendations as set forth in Findings of Fact Nos. 13 and 14 above.

17 IT IS FURTHER ORDERED that if Global Touch Telecom, Inc. fails to meet the timeframes  
18 outlined in Findings of Fact. No. 14 above that the Certificate conditionally granted herein shall  
19 become null and void after due process.

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1 IT IS FURTHER ORDERED that Global Touch Telecom, Inc. shall not require its Arizona  
2 customers to pay advances, prepayments or deposits for any of its products or services.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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7 CHAIRMAN

COMMISSIONER

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9 COMMISSIONER

COMMISSIONER

COMMISSIONER

10  
11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
12 Director of the Arizona Corporation Commission, have  
13 hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of Phoenix,  
15 this \_\_\_\_ day of \_\_\_\_\_, 2006.

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BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

DISSENT \_\_\_\_\_

DISSENT \_\_\_\_\_

AB:mj

1 SERVICE LIST FOR: GLOBAL TOUCH TELECOM, INC.

2 DOCKET NO.: T-20428A-05-0800

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